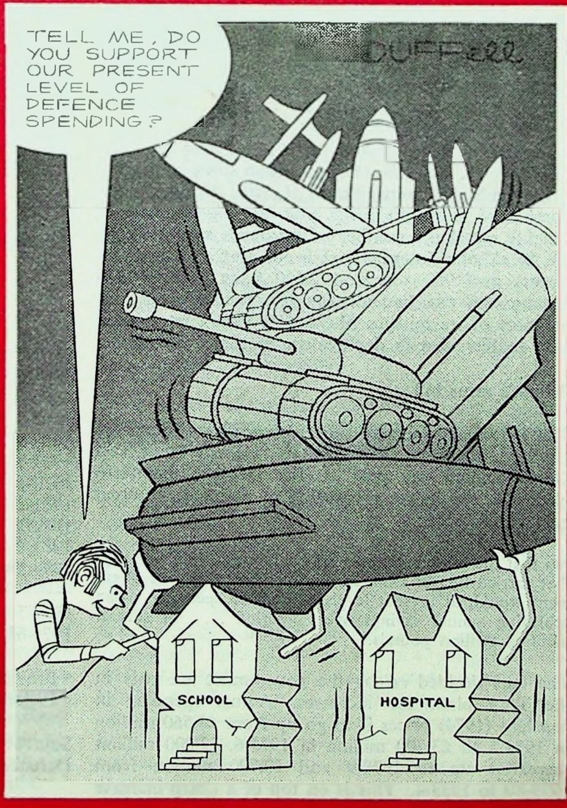
Labour Research

May 1975

Volume 64 Number 5 Price 20p



MAY DAY GREETINGS

in this issue

Defence: *no change*

This year's Defence White Paper is a depressing document, and not only because the promised spending cuts turn out to be increases. The review apart, the tone and line of argument are indistinguishable from those of the previous, Tory, White Paper—it sounds as if the same civil servants had written both and no doubt they had. And there are some signs of a further involvement in nuclear strategy.

The argument

We are told that "over the last five years the Soviet Union has improved and increased the capability of its forces to a much greater extent than in any previous period in peacetime" (p 27). But of course NATO also adopted a $1,000 million European Defence Improvement Programme in 1970 and the NATO ministerial meeting in December 1974 recorded that planned new equipment in 1975 included 563 main battle tanks, 238 modern combat and maritime patrol aircraft, 836 anti-aircraft guided missiles and so on. In other words there is an arms race going on.

As to the nuclear balance the White Paper says that "the Soviet Union has achieved rough strategic nuclear parity with the United States" (p 26). But while the number of delivery vehicles (missiles and bombers) is roughly equal the number of warheads was given by the Stockholm International Peace Research Institute (SIPRI) as 7,960 USA and 2,600 USSR in mid-1974 because the USA had already put multiple warheads on most of its missiles (the Soviet Union is reported only to have begun deployment of these recently).

Britain's arms bill

The 1973 Labour Party conference called (Composite 12) for a cut in military spending "initially by at least £1,000 million per year". The October manifesto pledged a cut in the proportion of national resources going to defence:

> "so that the burden we bear will be brought into line with that carried by our main European allies. Such a realignment would, at present levels of defence spending, mean achieving annual savings over a period . . . of several hundred million pounds."

The cuts decided on by the government are only in the Tory plans for increases. Actual spending in constant (1974) prices is to go up from £3,560 million in 1974-5 to £3,700 million in 1975-6, £3,800 million thereafter up to 1978-9 and £3,790 million from 1979-80 to 1983-4. This is on top of a sharp increase in 1974-5, as the table shows. The 1974 percentage of gross national product going to defence in the European NATO countries is given in the White Paper: Portugal 6.4, UK 5.8, Greece 5.0, West Germany 4.1 (4.9 with Berlin), Turkey 4.1, France, Norway, Netherlands 3.8, Belgium 3.1, Italy 3.0, Denmark 2.6 (NATO figures). The White Paper says that UK arms spending will go down from "about 5½ per cent of GNP to 4½ per cent of GNP over the next ten years" if GNP grows at an average rate of about 3 per cent a year over the period as a whole. But no one has any idea what will be happening to GNP in ten years' time. At present the Treasury thinks it will rise less than one per cent over the next 1½ years.

The review

The review does involve withdrawal from some, though by no means all, non-NATO commitments in the Far East and from the NATO naval force in the Mediterranean so that British forces will be concentrated in central Europe and the eastern Atlantic and Channel. This will mean cuts in the RAF transport fleet and a reduction of one-seventh in the planned numbers of destroyers and frigates. But the big

Arms expenditure in various years

	£ million	Per head per week	Per cent of gross national product
1963-4	1,811	0.65	6.6
1964-5	1,941	0.69	6.6
1965-6	2,058	0.73	6.5
1966-7	2,141	0.76	6.4
1967-8	2,236	0.78	6.3
1968-9	2,245	0.78	6.0
1969-70	2,216	0.77	5.6
1970-1	2,503	0.87	5.7
1971-2	2,828	0.98	5.8
1972-3	3,092	1.06	5.6
1973-4	3,484	1.20	5.5
1974-5*	4,184	1.42	5.8
1974-5†	3,667	1.26	
1975-6†	4,548	1.56	

* Provisional
† Estimates

Source: National Income and Expenditure, and Defence Estimates. Last two columns calculated.

projects remain. The multi-role combat aircraft will be delivered over a longer period but we are still to have 385. At the present price of £3.9 million each (*Hansard* 27.2.75) the total cost will be £1,500 million—more than the abandoned Channel Tunnel.

There will be an actual cut in manpower—38,000 in the armed forces and 30,000 civilian employees (of whom half will be locally enlisted workers abroad). The expected cut in employment in firms making arms is 10,000 over five years. This compares with a total shrinkage of manufacturing employment of 120,000 *a year* in 1970-4. Tony Benn recently called for increased investment of £3,000 million a year to halt the contraction of industry and rising unemployment (*Trade and Industry* 4.4.75). If the necessary policy decisions are taken the engineering industry will clearly not be short of work.

Nuclear involvement

The future of Britain's Polaris fleet is still something of a mystery. On 11 February Roy Mason said:

"We are not purchasing Poseidon. We are not MIRV-ing the warheads. We are not embarking upon a new generation of strategic missiles. But we are maintaining the effectiveness of the present generation."

How this is to be done he has not said but his hint on 13th January of a further nuclear test should no doubt be taken seriously. It is noteworthy too that research and development spending, at £554 million, has been sharply increased from the £418 million of 1973-4.

What is not in doubt is that the US tactical nuclear weapon Lance has now been ordered and will cost £55 million over six years (*Hansard* 10.12.74). NATO is of course committed to first use of tactical nuclear weapons in a conventional conflict in Europe.

The White Paper also makes clear that the review has involved a considerable shift into anti-submarine preparations and it looks as if this was part of the "compensatory measures" that NATO asked for during consultations on the review (p 13). For instance the *Hermes*, which was to have been converted into a commando ship, is now to be given a squadron of anti-submarine Sea Kings as well as the commando-carrying Wessex heicopters. The through-deck cruiser *Invincible*, now building at Barrow, is for the first time called an anti-submarine ship and it is now clear that there is to be a whole class of these very expensive vessels (perhaps £100 million each). The twelfth nuclear-powered hunter-killer submarine (the sixth of the new deeper-diving, faster class) is being ordered and "we shall be specialising increasingly in nuclear-powered submarines while other European navies . . . specialise in conventionally powered submarines" (p 15). Research and development work includes not only new maritime search radars for the Nimrod and Lynx but new sonars for frigates and submarines.

Comparison of costs for certain items

Annual costs (£m)

Total Defence budget	4,526	Total health & social services budget 1974-5	2,980
Defence Research & Development	554	Medical Research Council	25
Pay for the Army	524	English and Scottish road building	552
Aircraft and equipment for RAF	452	Cost of food subsidies, 1974-5	490
Ammunition and explosives for army	80	English and Welsh public libraries	90
Operating costs of Polaris	37	Nursery school building programme	21.5

Production of some items (£m)

Lance missiles	55	Regional Development Grants for Scotland and Wales	47
Fleet submarine *Sovereign*	31	6,400 new council houses	31
Guided missile destroyer *Sheffield*	23	Services for the disabled, 1974-5	23
Frigate *Amazon*	17	Cost of TV licence exemption for single OAPS	13
Refit of HMS *Bulwark*	5.7	Dumfries District general hospital	5.4
1 Multi-role combat aircraft	3.9	380 diesel locomotives	3.9

The argument made for all this is that the USSR is building submarines very fast and "all the sea-borne supply and reinforcement routes from North America to Britain and the European mainland" pass through the eastern Atlantic and Channel areas. But as SIPRI pointed out in 1974 this kind of picture belongs to a long conventional war which, so far as the great powers are concerned, is "an already distant and ever-receding possibility":

"In a nuclear confrontation, however . . . the need to protect sea-lanes and expeditionary forces is not obvious" (*Tactical and Strategic Anti-submarine Warfare*, SIPRI, p 34).

The great powers are putting an enormous effort into anti-submarine warfare (ASW) because with the increasing capability of both sides to knock out the other's land-based missiles the strategic arms race shifts towards submarines. It looks very much as if, not content with being a vulnerable base for US and British ballistic-missile submarines we are getting increasingly involved in NATO's ASW machine in the Atlantic, which is primarily directed against Soviet ballistic-missile submarines. This must add a new dimension to our peril (as well of course as being in flat contradiction to Composite 12 which opposed nuclear defence policies as well as calling for the £1,000 million cut in arms spending).

EEC renegotiations

When Mr Heath signed the Treaty of Accession to the Common Market on 22 January 1972 he committed the British people to accept the Treaty of Rome and all the regulations made under it up to that date (subject only to limited safeguards for dairy imports from New Zealand). Mr Heath's so-called negotiations were not about fundamental changes in the treaty but were only concerned with the transitional arrangements needed for Britain to adapt to the Common Market over a period of five years.

Critics of the Heath government said therefore, that since it had accepted all the main rules of the Common Market before the negotiations began, they did not deserve the name of negotiations.

The process of renegotiation by the Labour government, completed at the Dublin summit on 11 March, did not entail any changes in the Treaty of Rome or the Accesssion Treaty. They share the same limited character as the Heath negotiations.

This limitation is of crucial importance for it means that the renegotiations have not affected the surrender of national sovereignty which was made by the Treaty of Accession. The Treaty resulted in a "draconian curtailment of the power of the British Parliament to settle questions affecting Britain's vital interests", in the words of the February 1974 election manifesto of the Labour Party. This draconian curtailment remains in full operation after the renegotiations.

The seven objectives

The manifesto set out seven objectives for the renegotiations and an examination of the results shows that in no single respect has the loss of national sovereignty been modified. The quotations are from the February manifesto, slightly shortened in some cases.

1 "Major changes in the common agricultural policy . . . so that low-cost producers outside Europe can continue to have access to the British food market."

The renegotiations have produced a series of minor modifications but no major change in the CAP. We have not recovered our former freedom to buy food from the cheapest sources outside the Common Market. The variable import levies, which raise the price of any food we buy from outside countries up to the Market price, are still in full operation, enforcing the basic principle of Community preference which compels us to buy beef or wheat etc from France, or any other member country, in preference to buying it from outside countries who can supply us more cheaply.

The system of intervention buying, which has led to the beef and butter mountains, the wine lake and the milk powder heap, remains in full force, save only that Britain has been allowed not to buy beef into intervention for the period of a year, on condition that the British taxpayer pays two-thirds of the cost of the necessary subsidies to farmers. In return for this temporary concession the British government had to agree to a virtually complete ban on imports of beef from July 1974. The world price of beef is far below the Common Market price, yet we cannot buy any of it. And even when the ban is lifted, the variable import levy will ensure that we pay the full Market price for it. Lamb, butter, cheese, wheat, maize, as well as beef could all be bought more cheaply if we were now outside the Market.

2 "New and fairer methods of financing the Community budget. Neither the taxes that form the so-called 'own resources' of the Communities, nor the purposes, mainly agricultural support, on which the funds are spent, are acceptable to us. . . ."

No new methods of finance have been achieved by the negotiations. The Community's 'own resources' remain, as before, the revenue from customs duties, import levies and the yield of up to 1 per cent VAT. Three-quarters of the budget is accounted for, as before, by the heavy cost of intervention buying and all the other methods of supporting the farmers in the Common Market. The renegotiations have resulted in a 'correcting mechanism' which, if the very complicated conditions were fulfilled, could reduce Britain's net annual payment, estimated at £300 million or more by 1980, by up to £125 million.

3 "We would reject any kind of international agreement which compelled us to accept increased unemployment for the sake of maintaining a fixed parity, as is required by current proposals for a European economic and monetary union. . . ."

Articles 2 and 105 of the Rome Treaty lay down the basic aim of economic and monetary union under which a variety of important state economic functions are to be gradually transferred to the Council and the Commission in Brussels. The Community has now recognised that the plan it adopted in 1971 for the achievement of EMU by 1980 was over-ambitious and could not be achieved so quickly. But the commitment remains. No attempt was made to renegotiate this

commitment which would deprive Britain of a great deal more sovereignty than has already been given up.

But in these days of rapid change economic forecasters never can see very far ahead. In any case, the objective of economic and monetary union was reaffirmed at the Paris summit meeting in October 1972 (attended by Mr Heath) and confirmed again in December 1974 (attended by Mr Wilson) when the nine heads of state declared that "in this field their will has not weakened and their objective has not changed since the Paris conference" (Cmnd 5830).

4 "We need an agreement on capital movements which protects our balance of payments."

Articles 67-73 of the Rome Treaty provide that member states must progressively remove all restrictions on the movement of capital. The 1972 Tory budget removed all restrictions on investment by British companies in the Common Market and in 1973 they invested no less than £519 million compared with an annual average of £264 million in 1971-72 and £98 million in the previous three years (*Trade and Industry* 14.3.75). The restrictions were reimposed by the Labour budget of 1974, utilising Articles 108-9 of the treaty which permit member states to take temporary measures to protect their balance of payments, with the consent of the Commission. The White Paper on the renegotiations (Cmnd 6003) says that experience shows that the safeguarding articles of the treaty work satisfactorily in practice. Thus there has been no renegotiation covering freedom of movement for capital which is a central element in the aim of economic and monetary union.

5 "The retention by parliament of those powers over the British economy needed to pursue effective regional, industrial and fiscal policies."

So long as Britain stays in the Market the exercise of these powers, which are to be greatly extended by the Industry Bill, are subject to the potentially far-reaching restrictions of the competition policy of the Community. Article 92 prohibits any aids given by member states to industries or companies which "distort competition" and Article 93 gives the Commission power to order a government to abolish any aid which it considers is contrary to the Treaty.

No renegotiations have taken place on these Articles. The government states that it is satisfied that the *current* policy being pursued by the Commission does not unduly restrict the British government's industrial and regional policies. The Commission's policy could change after the referendum.

6 "No harmonisation of VAT which would require us to tax necessities."

The British exemptions from VAT are much more extensive than in the other member states which do not normally exempt fuel, fares or food as we do, and harmonisation of VAT and other indirect taxes is an important part of economic and monetary union. This has not been the subject of any renegotiation. The White Paper says that the government have established that "they can resist any proposals for such harmonisation which are unacceptable". In other words they are relying on the use of the veto. But it is an illusion that the veto can always be used (see p 12 of the LRD pamphlet, *The Common Market In or Out?*).

7 "The economic interest of the Commonwealth and the developing countries must be better safeguarded. This involves continuing access to the British market and, more generally, the adoption by an enlarged Community of trade and aid policies to benefit not just 'associated overseas territories' in Africa, but developing countries throughout the world."

Regretfully we have no space to deal with this vital and complicated question of the relations between the Community and the developing countries. It has been the concern of Judith Hart, Minister of Overseas Development (who is opposed to British membership of the EEC). She has said that the British government has been able to protect the interests of the Commonwealth countries in Africa, the Caribbean and the Pacific but that the poorest and largest countries in the Commonwealth—India, Bangladesh and Sri Lanka—who are not within the privileged circle of 'associates', will "lose out on British membership of the Market"; and she concludes that the terms of renegotiations have not been satisfied in this field (TGWU *Record*, April 1975). In any case, membership of the EEC has deprived Britain of the power to make trading agreements with third countries; this power has gone to Brussels. So objective 7 of the renegotiations was not concerned with national sovereignty at all.

Democracy

It is clear, then, that the renegotiations have really been a part of the process of continuous adaption to changing circumstances which is bound to take place within the Common Market anyway. Mr Wilson has said that they have been "an initiator, a creator of a process of fundamental change" (*Hansard* 7.4.75). This claim has to be assessed against the loss of our national sovereignty—of the power of our government and parliament to make decisions about economic affairs—which is just as great after the renegotiations as it was before.

The last TUC held in September 1974 urged the government in the negotiations for new terms to "restore to the British Parliament the sole power over legislation and taxation" and to reject the Common Agricultural Policy. This has not been done. Inside the Market, Britain will be subject to a supra-national government at Brussels, and the democratic rights of the British people to influence the making of laws and of government policies will be subject to a severe—a draconian—curtailment.

May Day greetings

from

ACTT

Equal pay, equal

opportunity and an end

to the sexual division

of labour NOW.

Give women

something to celebrate!

Alan Sapper *General Secretary*

ASSOCIATION OF CINEMATOGRAPH, TELEVISION AND ALLIED TECHNICIANS

SLADE

sends May Day

Greetings

to all our

Colleagues and

Friends in the

Labour Movement

John Jackson
Society of Lithographic Artists,
Designers, Engravers and Process Workers
55 Clapham Common South Side,
London, SW4 9DF

United Road Transport Union

sends fraternal

May Day

greetings to all

trade unionists

Len BATEMAN, President

Jackson MOORE,
General Secretary

The Transport & General Workers' Union

sends May Day greetings to

fellow trade unionists everywhere

JACK JONES
General Secretary

TGWU, Transport House, Smith Square, London SW1

The Black Country Branch

POEU

sends May Day greetings

to our Brothers and Sisters

everywhere

Metropolitan North West Branch

POEU

Sends May Day greetings

to all workers and urges

them to join the May Day

marches and demonstrations

Textile crisis: who is to blame?

"The recession in the British textile industry is greater than at any time since the 1930s and there is a grave danger that the industry will suffer irreparable damage unless steps are taken to ensure its survival."

This is the verdict of the British Textile Confederation (BTC), a body which includes representatives of both employers and unions, on an industry which employs in textiles and clothing 947,000 workers in the UK. The industry has a total UK turnover of around £3,000 million and in 1973 it accounted for 8.7 per cent of the total net output of UK manufacturing industry (Report on the Census of Production 1973).

The present crisis

For decades the industry has steadily been declining in importance as an employer, in 1960 there were 1,193,000 workers in the industry in Great Britain, the figure today is 827,000. But there can be no doubt that the textile and clothing industries are at present facing a particularly severe crisis. The BTC estimates that 150,000 workers are on short time and Department of Employment figures show that unemployment in the industry had risen by 8,000 in the UK in the period February 1973 to February 1974. In addition either because they have been made redundant or because they want to get away from the industry's low wages and poor employment prospects, large numbers of workers are leaving the industry. In January 1975 there were 38,000 fewer workers than a year earlier. Although all parts of the industry have been hit, the most severe problems are faced by the cotton spinning sector. The Amalgamated Textile Workers' Union (ATWU) estimates that over 50,000 of the 70,000 employed in cotton spinning and weaving have been on short time for at least some period since the beginning of this year. Twenty-four spinning mills were closed for the week before Easter and according to the BTC 12 mills have gone out of business permanently in Lancashire.

In seeking to provide the reasons for what he called "a downturn in demand unprecedented since the war" Michael Meacher, Under-Secretary of State for Industry, said in the House of Commons on 20 March 1975: "The central cause of our difficulties is the combination of import demand in conjunction with the collapse of demand at home and abroad."

In its search for a solution to the problems of the British textile industry the BTC has turned to the control of imports. It has proposed that imports of manufactured textiles and clothing should be reduced by 20 per cent. This is not surprising; the UK has for a long time been one of the most open markets in the world for imported textiles.

In 1970 imports of textiles and clothing from the developing countries were $4.18 per head in the UK. This was more than any other EEC country and seven times more than the French imported (*International trade in cotton textiles*: Report by UNCTAD Secretariat).

It was to rectify this imbalance and to open up the markets of other industrial countries to imports from the developing nations that the BTC and the textile unions supported the new international trade agreement on textiles, the multi-fibre agreement (MFA). The MFA came into force on 1 January 1974 and was intended to provide a stable framework for the expansion of the textile trade. Imports which were considered to be disruptive in their effect on the importing country's own textile industry were still allowed to be controlled through quotas. But these quotas were to be expanded at not less than 6 per cent (in volume) per annum, or faster if bilateral arrangements had been agreed between importing and exporting countries.

In 1974 the year following the introduction of the MFA imports of textiles and clothing increased by 29 per cent (in value) overall on 1973 and although in some sectors there was a decline in imports towards the end of the year and in the beginning of 1975, this was offset by the overall decline in the size of the UK market. Thus import penetration of the UK market in spun cotton and man-made fibre yarns rose from 15 per cent in 1973 to 25 per cent in 1974. Imports of manufactured garments rose by 1 per cent in volume in 1974 while sales of clothing fell by 2 per cent in the same period. (BTC *Annual Report*: Import Surveillance Working Party.)

It is important to emphasise that the developing countries, whose interests the MFA was intended to benefit, have not been the major cause of increased imports. In 1974 when overall imports of textiles (excluding clothing) increased by 34 per cent on the previous year, imports from the USA increased by 43 per cent and imports from the EEC grew by 36 per cent. Together they accounted for 50 per cent of all textile imports in 1974 compared with 44 per cent in 1972 (Overseas Trade Statistics of the UK).

The effects of the EEC

But the most rapid growth in the whole of the textile and clothing industry has been in imports of cotton yarn which have increased by 80 per cent, from 17.1 million kilograms in 1973 to 30.7 million kilograms in 1974. And here it is the UK's accession to the Common Market rather than the MFA which is to blame. Cotton yarn is on the EEC's liberalisation list, which means that the UK in theory cannot restrain its import. In fact the Commission has allowed the UK up to March 1977 to end its quotas completely but has insisted that the quota be increased by 25 per cent this year. The ATWU estimates that this decision puts the future of the UK spinning industry and 15,000 jobs at risk. As important has been the opening of the UK market to producers in the EEC associate countries, Greece and Turkey, by the terms of the Treaty of Accession. Imports of cotton and man-made fibre yarn from these two countries increased more than five times in the period 1973 to 1974 and in 1974 they accounted for 15 per cent of all such imports compared with 5 per cent a year earlier.

It was the Common Market which signed the MFA for Britain and it might be thought that the complex 'burden sharing' agreement designed to share out increased imports among the member states which the Council of Ministers agreed on 15 October 1974 would be of considerable benefit to the UK industry in that in many cases the rate of growth of imports into the UK would be lower than the 6 per cent stipulated by the MFA. There might be one area where the Common Market was operating in the interests of the British textile industry. Unfortunately if benefits come at all they will be slow to materialise. In the words of a recent NEDO report:

"It seems likely that while the UK will have to face increased competition from the Mediterranean associates as a result of entry into the EEC, the industry will not experience much relief from low-cost imports on account of burden sharing until 1980" (Industrial Review to 1977: *Textiles*, May 1974).

Expansion overseas

However, if the consequences of entering the EEC have been little short of disastrous for some sections of the UK textile industry, it should not be assumed that the major British textile companies have been hit as hard. Sales and perhaps profit figures may be affected by the world-wide recession in textiles but the difficulties facing the industry in the UK are less important. As the *Economist* said on 8 March 1975:

"A lot of those British companies putting workers on short time working are themselves operating in low-wage areas such as Taiwan, India and South Africa and bringing their goods into Britain."

All the four major textile companies (combined world sales according to the latest annual reports £1,790 million) have substantial overseas interests and two, Coats Paton (£415 million sales in 1973) and Tootal (£215 million sales in 1973-74) have more than half of their textile production outside the UK. Coats Paton has production facilities in ten European countries (including Turkey) as well as many others throughout the world. The chairman's report for 1972 mentioned new mills being set up in Hong Kong, Malaysia and Thailand. In 1973 performance in the Philippines was described as 'satisfactory'. The importance of overseas operations is shown in the employment figures. In 1970 the company employed 40,000 workers in the UK and 45,000 overseas. In 1975 there were still 45,000 employed abroad but the number working for the company in Britain had fallen to 33,000. The policy of Tootal has been similar. In the period 1969-1974 the UK workforce has fallen from 28,900 to 20,000, while overseas it has risen from 8,200 to 9,200. And in 1974 the chairman said "Expansion is taking place in our companies in the Philippines, Australia and Hong Kong". Courtaulds, the largest UK textile company (1973-74 sales £957 million, pre-tax profits £116 million) has not increased its overseas involvement dramatically in recent years. But overseas production remains an important component in total sales (25.1 per cent in 1974; 21.6 per cent in 1969) the bulk of it being in Northern France. For Carrington Viyella, a subsidiary of ICI, overseas production accounts for only 16.6 per cent of total sales. But the company is doing its best to strengthen its overseas activity:

"The proportion invested overseas of the total capital employed by the group was 20 per cent at the end of 1972 compared with 7 per cent at the end of 1970" (*Annual Report* 1972).

The group has been very active in Italy, almost doubling in 1974 the capacity of one factory (Saracen (Italy) SpA) for the manufacture of lingerie and ladies' wear. As "Saracen is now exporting a high proportion of its production to other EEC countries" (*Annual Report* 1973) it is perhaps not surprising to find that imports of women's and children's outer garments from Italy in 1974 were up by 90 per cent on the previous year.

Nor is it just the largest companies which have overseas interests. Dawson International (£37 million sales in 1973-74) which manufactures Pringle Knitwear, has knitting subsidiaries in Hong Kong and South Africa. Vantona (£38 million sales 1973-74) hopes to export more household furnishings from its South African subsidiary to the EEC. While in 1973-74 K O Boardman (turnover £23 million) sold 99 per cent of the production of its Portuguese subsidiary (£3.5 million worth of shirts, underwear and overalls) in the UK. It is no wonder that the *Economist* suggests that some companies are opposing import restrictions "that could cut off their own low-cost imports from overseas subsidiaries on which they make hefty profits" (8 March 1975).

Pneumoconiosis—the new scheme

by Dai Coity Davies

Pneumoconiosis is the greatest scourge known to industry. In the year 1973, while 80 of our miners were killed by accident, 367 deaths were officially declared to be due to pneumoconiosis—and this was one of our best years. Previous years have shown death tolls of more than 1,000.

The health of the miner today is extremely important with the country relying upon him for the very life-blood to keep our industry going. Coalminers are perhaps the most valuable asset we have. With oil and nuclear energy being both inadequate and unreliable, the only energy agent we have is coal. Coal cannot be charmed out of the ground, it can only be produced by the skill, guts and hard graft of the miner and as everyone knows, there is a grave shortage of these important men.

The new Pneumoconiosis Compensation Scheme has been introduced by the unions, and the NCB and the Government to settle, at least in part, the deep debt of gratitude owed to the miner and his family by the industry and the nation. It has brought long awaited financial relief to the sufferers of this crippling, energy-sapping, incurable disease. The scheme is undoubtedly one of the NUM's greatest achievements. However, like all other schemes, it has its anomalies and until they are removed there cannot be any contentment or satisfaction in the coal industry.

Perhaps the worst anomaly is the exclusion from the scheme of commuted cases. These are men and widows of men who were compelled to sign away compensation rights for mere pittances and who have, for more than 25 years, been without any weekly compensation. It is necessary to examine the circumstances under which these men were 'blackmailed' into accepting lump sums for the surrender of their legal entitlements and the circumstances that obtained at the relevant time. When men were certified with pneumoconiosis under the Workmen's Compensation Act, they were immediately legally suspended from the industry. They were thrown out of work at a time when jobs were very scarce. Many were living in colliery owners' houses and working at the pit was a condition of tenancy. They were rearing young families and the combined loss of wages and home coupled with the responsibility of feeding a family was too much to resist the temptations of a lump sum that would bring some immediate, though temporary, relief. These are the men who saw this country through recurring crises in peace and war. It is both inhuman and immoral to leave them outside the scheme.

The second anomaly is the discriminating date of 26 January 1970 which is written into the scheme. Deaths that occurred before this date were originally outside the scheme but pressure from the NUM brought a very limited change inasmuch as sums of £300 and £150 are now obtainable depending upon the cause of death. The union strongly believes that widows of men who died before 26 January 1970 should be treated the same as those more recently bereaved and there should be no discrimination. After all, it must be conceded that pre-1970 widows have played their parts and made their sacrifices the same as the post-1970 widows. The union has always enjoyed the loyal unstinted support of miners' wives and this should be sufficient argument to have this vicious unjustifiable anomaly removed as quickly as possible.

The third anomaly is the ten-year service clause which is illogical in the extreme. Our files show many cases of men who commenced working in the pit on their 14th birthday, or just after, and have contracted the disease in a period of less than 10 years, not having left the industry. The only possible place of contraction was the pit and it should be accepted that the industry is responsible. We have one such case where Mr 'L' entered a west Wales pit on his 14th birthday and was certified by the Pneumoconiosis Panel as totally disabled by the disease before his 21st birthday. On the grounds of common sense alone, the 10-year service clause should be abolished.

While all credit must be given to those responsible for the introduction of the scheme, it must be emphasised that greater concentration is needed in the field of prevention. Dust suppression must never be subjected to production priority. Sir Derek Ezra is recently reported to have said that pneumoconiosis is beaten and I would consider this kind of statement to be creating damned dangerous complacency. As previously stated 367 men died from the disease in the year 1973 and we have reason to believe that new certifications in south Wales increased in 1974. Prevention is better than cure and the fullest co-operation by all concerned in the industry is essential in dust suppression. The fullest possible support has always been given the Coal Board by the union and I have no hestitation in continuing our pledge in this regard.

Dai Coity Davies is Social Insurance Officer for the South Wales NUM

Fraternal greetings to all trade unionists from the

EVENING NEWS NATSOPA MACHINE CHAPEL

CASTLEFORD AND DISTRICT TRADES COUNCIL

wish to extend May Day greetings to its members and trade unionists throughout the world

London Joint Branches Committee of NATSOPA

send fraternal May Day Greetings to all workers

We urge all trade unionists to fight against the Common Market

NATIONAL SOCIETY OF OPERATIVE PRINTERS, GRAPHICAL AND MEDIA PERSONNEL (NATSOPA)

Extends fraternal greetings on May Day to all Trade Unionists everywhere

MAY DAY GREETINGS TO ALL WORKERS

Four reasons to vote NO to the Common Market.

- ★ A haven for monopoly capitalism.
- ★ A bureaucratic dictatorship from Brussels.
- ★ A disaster to Britain's economy and balance of trade.
- ★ The EEC is an anti-socialist cold war alliance.

AUEW BURY DISTRICT COMMITTEE

May Day greetings to all our workers and to all trade unionists everywhere from the JSSC at L Gardner and Sons

Dresell Engine Works
Patricroft, Lancs.

London North District Committee AUEW

urges all its

members to vote

NO in the Common

Market referendum

Vic Swift
District Secretary

AUEW (FOUNDRY SECTION) DISTRICT COMMITTEE 7A

sends May Day greetings to all in favour of coming out of the Common Market

---

Hatfield and Welwyn District Committee AUEW
(Engineering Section)

Greetings and Best Wishes for Peace and Progress in 1975 to all workers on this May Day

---

Dunlop Speke Engineers

extend fraternal May Day greetings to all workers in Dunlop/Pirelli in UK and Europe and trade unionists everywhere

DUNLOP SPEKE ENGINEERING JOINT SHOP STEWARDS COMMITTEE

MEMBERS OF SOUTHALL DISTRICT COMMITTEE AUEW

EXTEND FRATERNAL
GREETINGS TO WORKERS
THROUGHOUT THE WORLD
FOR PEACE AND SOCIALISM

Magnatex Joint Shop Stewards Committee

send fraternal greetings to all workers

"UNITED WE STAND"

CHUBB FIRE SECURITY (MINIMAX) SSC

EXTEND FRATERNAL GREETINGS
TO ALL TRADE UNIONISTS

MUSICIANS' UNION

says

NO to Common Market and sends fraternal greetings to trade unionists everywhere

General Secretary:
John Morton

Assistant Secretaries:
Stan Hibbert, Ben Norris, Jack Stoddart

KINGSTON DISTRICT COMMITTEE AUEW
(ENGINEERING SECTION)

NO to the Common Market

YES to a socialist Britain

BRITISH AIRPORTS AUTHORITY JSSC

Greetings to all trade unionists everywhere

We call for speedy introduction of workers' control into ALL nationalised industries

Phil Gibbons TGWU
Secretary

Colin Atherfold AUEW
Chairman

UCATT

The North West Regional Council extend May Day greetings to all trade unionists

Forward to Socialism

H SMITH
Chairman

E V HUGHES
Regional Secretary

Regional Office:
137 Dickenson Road, Manchester 14

...in the future

The Social Security Pensions Bill, published at the end of February, embodies the government's long-term plans for pensions along the lines set out in the White Paper *Better Pensions*. It will apply to future pensioners only, ie those retiring after 1978 onwards, and will provide some improvement in pensions for each succeeding batch retiring in subsequent years, though the full pension will not be earned by anyone retiring before 1998. Existing retirement pensioners —numbering nearly 8 million—are not involved.

The broad object of the scheme is to provide a pension in two component parts; a basic component equal to the standard pension payable under the present system—now £11.60 for a single person and £18.50 for a married couple—and an additional earnings-related component.

The scheme will be financed from the wholly earnings-related contributions of employees and employers and a Treasury contribution equal to 18 per cent of these contributions. Employees in approved occupational schemes can be contracted out.

How the pension will be calculated

The earnings-related component of the pension will represent for each year of work 1¼ per cent of earnings between the basic component (now £11.60) and a level about seven times the basic, ie up to about £80 a week. Thus anyone earning an average of £40 a week in a given year will have added to his pension 1¼ per cent of £28.40 (ie £40−£11.60)=35½p. After five years of the scheme, assuming he continues to earn exactly £40, he would get 5 times this amount, so that £1.77 would be added to his basic pension. By the time he has been in the scheme 20 years, the earnings-related component will be equal to 25 per cent of those earnings falling between £11.60 and, in his case, £40.

The above is an imaginary case which, for the sake of simplicity, assumes that earnings and prices are exactly the same throughout working life. However, it is important to realise that the pension is intended to be inflation proof, that is to say it will be based on actual earnings, but these will be revalued in terms of earnings levels current in the year before retirement. Moreover after retirement the earnings-related component will be uprated regularly in line with rising prices.

After the scheme has been in operation for 20 years, people will be able to choose which 20 years' earnings in their working life give the most favourable result. With all these provisos in mind we set out in Table A the sort of pensions to be expected.

Table A
The new pensions

Contributor's earnings	Single person's pension	£	Married couple, if wife on husband's record only £
	After 20 years*		
£20	(£11.60 plus £2.10)	13.70	20.60
£30	(,, ,, £4.50)	16.20	23.10
£40	(,, ,, £7.10)	18.70	25.60
£50	(,, ,, £9.60)	21.20	28.11
£60	(,, ,, £12.10)	23.70	30.60
£70	(,, ,, £14.60)	26.20	33.10
£80	(,, ,, £17.10)	28.70	35.60
	After 10 years*		
£20	(£11.60 plus £1.05)	12.65	19.55
£30	(,, ,, £2.30)	13.90	20.80
£40	(,, ,, £3.55)	15.15	22.05
£50	(,, ,, £4.80)	16.40	23.30
£60	(,, ,, £6.05)	17.65	24.55
£70	(,, ,, £7.30)	18.90	25.80
£80	(,, ,, £8.55)	20.15	27.05
	After 5 years*		
£20	(£11.60 plus 52p)	12.12	19.02
£30	(,, ,, £1.15)	12.75	19.65
£40	(,, ,, £1.77)	13.37	20.27
£50	(,, ,, £2.40)	14.00	20.90
£60	(,, ,, £3.02)	14.62	21.50
£70	(,, ,, £3.65)	15.25	22.15
£80	(,, ,, £4.27)	15.87	22.77

*These pensions are of course the amounts on which a pensioner would retire *now* had the scheme been in operation five, ten or twenty years. The scheme is protected against inflation.

The pensions examined

In the White Paper *Better Pensions* Barbara Castle referred to "the government's pledge to bring to an end the massive dependence on means-tested supplementary benefit which is the sad hallmark of old age today." How far does the new scheme fulfil this pledge? To answer this we need to look at the present position of pensioners. The basic pension is now £11.60 a week for a single person and £18.50

for a married couple. Since these sums are not enough to live on by themselves, those who have no other resources or inadequate ones can apply for a supplementary pension given after a means test. Some 2 million out of 8 million existing pensioners—one quarter of the total—are obliged to apply for a supplementary pension in this way; in addition it is estimated that there may be a further million pensioners who would be entitled to a supplementary pension if they applied for it, but instead are living below the official poverty line.

The Supplementary Benefits Commission scales at present allow a minimum of £12 plus rent for a single pensioner who is a householder and £18.85 plus rent for a married couple. Assuming that the rent allowance may be somewhere between £3 and £4 a week, it follows that a single pensioner needs a pension of £15-£16 to get him or her off the means test; a married couple £22-£23. These are very broad assumptions because rents vary, and anyway some pensioners have other resources which are disregarded under the rules. They serve however as a rough guide to the adequacy of the new pensions. It can be seen from Table A that if the scheme had been in force for twenty years, most people now retiring would be getting a pension which took them above supplementary benefit levels. On the other hand, if the scheme had been in force for only ten years, about half those retiring would be getting such a pension. But if the scheme had been in force for only five years, only the highest paid would be getting such a pension. And it is worth pointing out that even when the scheme has been in force for twenty years, there will be large numbers of existing pensioners still alive who never were in the scheme at all, and much larger numbers who retired after only five or more years of participation in the scheme.

Women

At pension age women greatly outnumber men, so the arrangements for women's pensions are absolutely crucial to the whole problem of poverty in old age. The new scheme completely changes the arrangements for women. At present a married woman can choose if she goes to work whether to be insured in her own right, pay contributions and earn her own pension, or whether to 'opt out', and qualify for the wife's pension (at present £6.90) on her husband's insurance contributions only. In practice three out of four married women have always elected to 'opt out'. And in Table A the married couples' pensions in each case assumes that the wife will be qualifying on her husband's insurance only. In practice it will not be like that—at least not in the years far ahead.

Women who marry after the scheme comes into operation will no longer have the right to 'opt out'. They will pay full contributions when working and have the chance of earning a pension in their own right. Their earnings before marriage will be counted towards their ultimate pension and there will be regulations to permit years not at work because of home responsibilities (such as bringing up children) to count towards the satisfaction of the contribution conditions. This could, in the long run, be a major step towards improving women's pensions, but how big a step will depend on regulations which have not yet been defined. This is an absolutely crucial question since women, both because they earn less when at work and because they normally have fewer years at work during their lifetime, commonly do very badly out of any earnings-related scheme. It is the great merit of the new scheme that this fact is at least recognised; it is to be hoped that the new regulations are so framed as to meet the case.

What about women already married who have been opting out until now? On this matter there is as yet no clear cut decision. The right to opt out is to be phased out but how quickly and universally is not stated. The new explanatory memorandum says: "Further discussion and consultation will be necessary before the best solution to this problem emerges. The Bill contains the power to make regulations implementing whatever is decided" (Cmnd 5929).

Meanwhile although the pensions for married couples shown in Table A provide only for the wife's pension of £6.90 on her husband's insurance, it is clear that as time goes on wives who have contributed under the new scheme will be able to receive a pension in their own right which should be higher than this because her earnings-related components will be added to it. For widows the Bill does offer the possibility of greatly improved pensions in the long run. A widow if she has reached retirement age will be entitled to the full earnings-related pension earned by her husband and also to any earnings-related component she has earned for herself. Among retirement pensioners, widows are at present much the poorest group. Sixty per cent of all elderly widows are obliged to apply for supplementary pension. As with other pensioners, this Bill does nothing for those already widowed, but the widows of the future should be in a much improved position.

Contributions

Under the present scheme graduated Class 1 contributions are equal to 14 per cent of earnings. Of this 5½ per cent is paid by the employee and 8½ per cent by the employer. Under the new scheme contributions will be payable on earnings up to about 7 times the amount of the lower earnings limit (ie about £80 in 1975 terms) and will amount to 16½ per cent instead of 14 per cent. Of this the employee will pay 6½ per cent and the employer 10 per cent. These contribution rates are provisional; the Secretary of State can vary them. For contracted-out employees (see later section) the contributions will be the same as for other contributors up to the lower earnings limit, but on earnings above that level will be 4 per cent instead

of 6½ per cent, while the employer's contribution will be 5¼ per cent instead of 10 per cent.

In Table B all these rates are set out. The Treasury will make a contribution equal to 18 per cent of all contributions including those that would be received if there were no contracting out. In the present scheme it is 18 per cent of the actual contribution income.

Table B

Contributions

Earnings	*April 1975*	*1978*
Not Contracted Out	£	£
£20	1.11	1.30
£30	1.66	1.95
£40	2.21	2.60
£50	2.76	3.25
£60	3.30	3.90
£70	3.79	4.55
£80	3.79	5.20
Contracted Out		
£20	1.11	1.09
£30	1.66	1.49
£40	2.21	1.89
£50	2.76	2.29
£60	3.30	2.69
£70	3.79	3.09
£80	3.79	3.49

Contracting out conditions

Employees in an occupational scheme which fulfils certain minimum conditions can be contracted out by their employer if he so decides. In return for this they will pay slightly lower contributions and the employer pays much lower contributions into the state scheme. To be contracted out a scheme must provide an earnings-related component, based like the state scheme, on a figure of 1¼ per cent of earnings above the base level per year. It can be 1½ per cent of final salary or of average salary revalued in line with the general increase in earnings. It must also provide a widow's pension at half that which the husband would have earned had he been in the state scheme (the other half will be made up from state funds). Finally it must provide a preserved earnings-related pension at least as good as the state scheme for those who leave a contracted-out employment before retirement age. This must be revalued by up to 5 per cent each year to keep pace with increases in earnings, but if earnings are rising faster than this, the balance will be made up by the state.

After an occupational pension has been awarded on retirement, the scheme will not have to guarantee to uprate it in line with price rises. But the state will uprate that portion of it which would have been awarded if the employee had been in the state scheme.

The place of occupational pension schemes

The scheme has manifold implications which cannot be considered here. It is perfectly clear that private occupational schemes are to be encouraged by massive state support. These schemes are for the most part ones in which contributions are 'funded'—ie collected and invested and the resulting pension depends on the return on the investment. At the present time private pension schemes are getting into increasing difficulties, because the rate of inflation is overtaking the rate of return on the invested pension funds. That people's pensions should be dependent on the vicissitudes of capitalism in this way has always been questionable.

Now the state support is to include responsibility for half the pensions of the widows of those in these schemes, for partial inflation-proofing of pensions before they are awarded, and wholly for inflation-proofing after the award has been made. All this leaves out of account the fact that employees' contributions into occupational schemes are allowable for income tax whereas contributions to the state scheme are not. At the same time the state scheme will suffer a considerable loss in income from contributions. It is estimated that in the first year of the scheme, with contributions at 16½ per cent, the income from Class I contributions would be £6,461 million. But if 8 million people are contracted out this figure will fall to £5,219 million—a loss to the National Insurance Fund of £1,242 million in that year (see Table 3, Cmnd 5928). This means that the contributions of those not contracted out have to be higher than they otherwise would be. It is, for example, made clear that if there were no contracting out, contributions of about 14½-15 per cent instead of 16½ per cent would be adequate to cover the costs of the scheme for the next ten years.

The fact remains that millions of people are now, for good or ill, in occupational schemes, many of which came into being as a result of pressure from the workers and their trades unions in a situation where the state scheme was utterly inadequate. This is an inescapable fact and it is understandable that the government has chosen to guarantee the future pensions of these people, rather than leave them to sink or swim. Barbara Castle, Secretary for Social Services, said in the debate on the Second Reading (18 March 1975) that "The government recognise the importance workers attach to their occupational pensions." And she went on to say that therefore the government was providing forms of state help to enable them to meet the same standards as the new state scheme. "This is the unique form of partnership between the state and private pension schemes which has been widely welcomed." It has in fact been welcomed by both the CBI and the TUC and the Second Reading was not suprisingly carried without a division.

AUEW — TASS

In International Women's Year the staff section of the AUEW says "Men's pay for Women". On this May Day let our movement pledge to make a serious effort to abolish the many inequalities from which women suffer in our society, without which this slogan cannot be fully achieved

BARRY SEAGER
Acting President

KEN GILL
General Secretary

AUEW — TASS, Onslow Hall, Little Green, Richmond, Surrey

NATIONAL UNION OF MINEWORKERS
Derbyshire Area

Greetings on May Day 1975

We say "No" to the Common Market because:

1 The economic disadvantage of Britain's membership is overwhelming
2 It prevents the creation of a wider European unity
3 It is purely a capitalist grouping, whose only achievement is to push food prices unnecessarily high
4 Since the British Tories took Britain in, it is extremely unlikely that it will benefit the working classes

---

NATIONAL UNION OF MINEWORKERS
Scottish Area

The Scottish Miners send May Day greetings to all people struggling for peace and socialism

MICHAEL McGAHEY, *President*
DAVID BOLTON, *Vice-President*
WILLIAM McLEAN, *General Secretary*
5 Hillside Crescent, Edinburgh EH7 5DZ

May Day greetings from the South Wales Miners and their families

We call upon all the British people to give a resounding 'NO' to the Common Market

Emlyn Williams — *President*
George Rees — *Vice-President*
David Francis — *General Secretary*

National Union of Mineworkers
Yorkshire Area

Send May Day greetings to trade unionists all over the world and demand the immediate nationalisation of all means of production, distribution and exchange as a first step to a socialist Britain

A SCARGILL	J T LEIGH	R HORBURY	O BRISCOE
President	Vice-President	Financial Secretary	General Secretary

The
LABOUR RESEARCH
DEPARTMENT

sends MAY DAY greetings

to all trade unionists

THE TOBACCO WORKERS UNION

sends May Day greetings to
men and women throughout the world
We call for the fullest turn out
for the TUC's demonstration on
May 25 in support of
International Women's Year

AUEW
Production Shop Stewards
Rolls-Royce (1971) Ltd
Patchway

extends
fraternal greetings to trade unionists
everywhere

The National Union of Students

sends fraternal greetings
to all its members and
trade unionists throughout the world

We say NO to the Common Market —
Get Britain Out NOW

SOGAT

London Central Branch

sends fraternal greetings
to
trade unionists everywhere

The case for local income tax

It is likely that, when complete figures are available, domestic rates will have risen by at least 25 per cent this year; and this is an average for the whole country made up of smaller rises in some places and much larger rises in other areas ranging up to 50 per cent or even more. This follows large rate increases in the previous two years. Thus the Layfield Committee is enquiring into local government finance at a time when the shortcomings of the rating system are being vividly exposed and when it is becoming more and more obvious that local government must have a new and effective source of revenue.

The rating system suffers from two major defects. First it is a regressive tax, that is, it hits those with low incomes much harder than those who are better off. The regressive character of the rates has been mitigated by the system of rate rebates, but this brings all the disadvantages of yet another means test. (See *Labour Research* April 1975.)

Second, the rating system has none of the built-in buoyancy which is possessed by the most effective taxes levied by the central government, such as income tax. The yield of income tax increases automatically with the increase in incomes, even if the rate of tax remains the same. Rateable values, on the other hand rise very much more slowly than prices and incomes; in England and Wales, rateable values grew by a mere 1½ per cent per year between 1963 and 1972. Thus every year the big increase in expenditure in money terms which is necessary for any local authority to keep up with inflation, compels it to make a big increase in the rate in the pound which it levies, unless it is one of the lucky few councils who happen to get an unusual increase in government grant.

The rate increases would have been much higher this year if the Rate Support Grant—the main government grant to local authorities—had not been increased by £2,000 million by the Labour government, bringing the total Exchequer grant for 1975-76 to £5,434 million. This means that the central government is now contributing 66½ per cent of the total rate and grant borne expenditure of local authorities in England and Wales, compared with 54 per cent in 1967-68. In Scotland the proportion had already reached 68 per cent in 1974-75. Dependence on the feeble rating system as the sole source of local revenue compels local authorities to rely more and more on Exchequer grants. This has the inevitable result that local councils are increasingly losing their independence and being converted into agents of the central government.

During the October 1974 election campaign, Mrs Thatcher suddenly announced that if the Tory party was returned to office it would transfer 100 per cent of the cost of teachers' salaries to the central government and phase out domestic rates in the lifetime of the next parliament. No alternative tax for local authorities has been suggested by the Conservative party. If these two steps were taken, there would be a grave danger of local government falling into almost complete financial dependence on the central government.

Wide support for LIT

The only substantial new source of revenue for local government is a local income tax, combined with a local corporation tax. A variety of other local taxes have been proposed, such as taxes on retail sales, on motoring, on payrolls, or on tourists. But on close examination they turn out to have serious drawbacks, though it is possible that a local tax on petrol and the transfer of the revenue from motor licence duties, could be useful supplements to local income tax.

There is now a formidable body of support for a local income tax. In evidence to the Layfield Committee the three main local government associations—the Association of County Councils, the Association of District Councils, and the Association of Metropolitan Authorities—have all proposed that LIT should be introduced or seriously investigated. So also has the Local Government Executive of CIPFA (Chartered Institute of Public Finance and Accountancy) which represents the chief financial officers of each type of local authority, and the Association of Education Committees. LIT is also proposed by the Liberal party as a source of revenue for new regional governments,

is strongly supported by the Communist party (to be levied by district councils) and is seen as the "least objectionable possibility" for a new major local tax by a policy group of the Labour party's National Executive Committee.

Furthermore, the TUC General Council's evidence recommends that the Layfield Committee publish a detailed examination of the economic and social arguments for and against LIT and states that the General Council regard it as the most likely candidate to supplement rates.

How to collect LIT

LIT has a long history of support in the Labour movement. The ILP campaigned for it in Glasgow in the 1920s and at a conference on local government called by the LRD in May 1919, Susan Lawrence said that the arguments for a local income tax "were unanswerable on grounds of justice and expediency. The arguments against were technical."

The case for LIT is indeed so overwhelming that the opposition to it has always relied mainly on the alleged administrative difficulties of collecting it (though it has long been collected in Sweden, Denmark, Finland and Norway). Typical of this line of opposition was the Tory government's Green Paper of 1971 (Cmnd 4741) which referred to the "massive administrative effort" that would be needed to collect LIT. It is therefore a little disappointing that most of the organisations who have given evidence in favour of LIT have been content to support it in principle without devoting much attention to the detailed method of collection.

The shining exception, however, is the Association of County Councils which argues cogently that the practical difficulties of LIT are no worse than those which are solved in connection with rating. Its detailed proposals are clearly set out on pages 9-15 of its evidence. The heart of the problem is how to use the existing machinery of PAYE for the collection of LIT on the basis of the residence of the taxpayer. The Association suggests that each local authority would inform the Inland Revenue of the rate of LIT it wishes to levy in the forthcoming year. The Inland Revenue would then supply the employer, by means of a code, with the name of the local authority and appropriate rate of LIT for all the employees. The employer would then summarise all the LIT deducted for each local authority and pay the amounts to the Inland Revenue, who would pass them on to the local authorities concerned. Large employers should be able to adapt their computer systems for this purpose.

The Association describes its new tax as a Local Surcharge on Income Tax, though there seems to be no particular advantage in LSIT rather than the tradition name of LIT. It wants the tax to be levied by the county councils, and there is obviously room for much argument about this.

Local corporation tax

Although the Association of County Councils does not propose a local corporation tax, it is surely an essential accompaniment to LIT, for otherwise small businesses trading as partnerships and self-employed people would be liable for LIT whereas limited companies would escape. The problem of allocating the profit made by a company operating in the areas of two or more local authorities is satisfactorily overcome at present in West Germany for the 'Gewerbesteuer' (trade tax) which is a major source of revenue for local authorities, and could therefore be overcome in Britain.

Domestic and non-domestic rating

Since 1967 rating authorities have been required to reduce the rate in the pound on domestic properties, and the reduction laid down by the government has risen from 5d in 1967-68 to 18½p in the current year for England and 36p for Wales. Domestic property has therefore already been separated to some extent from non-domestic property—shops, offices, factories, etc. It might be desirable to carry this separation further, with the perspective of replacing domestic rating in due course by LIT, but preserving non-domestic rating as a source of revenue in addition to local corporation tax. Traders are in any case allowed to count rates as an allowance against income tax and corporation tax. The adoption of a scheme of this kind would provide local authorities with the essential new sources of revenue they require.

Imperial Typewriters

Economists tend to write in global terms like levels of investment, overall productivity, balance of trade and gross national product at factor cost which make the eyes of non-economists rather cloudy. What is often missing is the link showing that all these national aggregates are the accumulation of decisions made in every factory and office and about which trade unionists usually know more than economists.

Imperial Typewriters, an old-established British manufacturer, was bought out in 1966 by the American Litton Corporation. The two companies were in stark contrast. Imperial, a medium sized firm with plants in Hull and Leicester, had some solid products and good export markets mainly in the Commonwealth. Its problems lay in the narrowness of its product range and its low level of investment.

The Litton Corporation is a very different animal, a conglomerate with world-wide interests in a variety of manufacturing and service industries. Possessing considerable financial backing, Litton was able to buy up 'commercial' opportunities throughout the world, building up to sales of over £1,000 million in 1973.

One industrial sector which Litton bought into was typewriters; from an American base they bought up firms in Germany and Japan as well as Britain, so that they acquired 30 per cent of world production. In recent years they have taken interests in plants in Singapore, Brazil and Portugal.

Rationalisation

The well-trained managers of Litton have of course used this international network of factories to 'rationalise' their typewriter production. In this scheme, the Imperial plants were given two tasks. First to supply the American market with a machine previously made at a plant in Connecticut which had been made uncompetitive by the lower labour costs of foreign competitors. The Hull plant of Imperial provided a convenient low-cost alternative so the plant was re-equipped with second-hand American machinery from Connecticut.

Second, the remainder of Imperial production was to be used to supply the existing British market for Imperial machines plus certain overseas markets mainly in developing countries. Imperial was virtually excluded from the European market as this would have set up inconvenient competition with Triumph-Adler, the German subsidiary of Litton.

This overall strategy was no doubt based upon sound commercial sense *for Litton* but it had two crippling drawbacks for Imperial as a *British* typewriter company. It reduced technical development almost to zero. The only electric machine produced by Imperial is poorly designed and almost unsaleable. The electric machine market is extremely important, yet Imperial has no proper department for product research and development.

Similarly in product diversification, it is other Litton companies which have received the investment necessary to make, for example, electronic calculators with typed printout. Thus Adler printout calculators, made in Singapore or Japan, are on sale in British shops.

Litton's strategy has also heavily reduced Imperial's marketing possibilities. In 1973-74, 57 per cent of Imperial's production went on 'inter-group transfers', that is, almost entirely to America and only 3 per cent went to Western Europe—the most accessible market and one which accounts for over 30 per cent of world trade.

The extent to which this damaged export sales can be seen from the facts that in 1972 Sweden and Switzerland, both with single manufacturers, exported £1.7 million and £4.4 million worth of typewriters respectively to Western Europe whilst Britain's exports amounted only to £200,000.

Thus Imperial has been excluded from both the most advanced technology and the best markets. Little wonder that its profits declined, though as the Hull workers point out, Litton's claims that Imperial was making a loss depend entirely on the price that Litton puts on 'inter-group' transfers and they are unlikely to have bent these to favour Imperial.

Litton's strategy no longer includes Imperial—on 17 January they announced their intention to shut down. The Hull workforce have answered by occupying the factory and asking for a government loan for a new, co-operative venture.

Of course they are acting to defend their jobs in a time of increasing unemployment and in an area which is economically depressed. But their analysis of the Imperial situation has made it clear that in asking for public funds they are asking some fundamental questions about the way in which a Labour government is going to tackle the problem of reversing the steady decline of the British economy.

Industrial notes

ICI workers world council
Trade unions representing employees of Imperial Chemical Industries in ten countries have set up a world council to co-ordinate their dealings with the company. The agreement was reached at a three day conference in Geneva from 9-11 March under the auspices of the International Federation of Chemical and General Workers Unions. Twelve trade unions were represented at the conference, including the TGWU, GMWU, EETPU, and ASTMS from Great Britain.

Thresholds and the low-paid
A survey published by the Low Pay Unit on 1 April argues that threshold payments have improved the relative position of low paid workers. The study examined 82 major national agreements for employees on a basic rate less than the TUC's target minimum of £30 between March 1974 and February 1975. The Low Pay Unit found that in 75 per cent of these settlements the increase was in excess of the 27.5 per cent increase in weekly rates for all workers.

Women in the film industry
Following publication of its special report *Patterns of Discrimination* the ACTT is to press for women to fill at least 15 per cent of trainee and assistant posts in all employment grades in the film, television and film-processing industries within three years.

APEX-SAGA
APEX is to comply with a TUC ruling that its merger with the General Accident company's staff association (SAGA) should be dissolved. Faced with possible expulsion under TUC Rule 13, the APEX executive on 15 March voted 10:5 in favour of dissolving the merger. On 20 March the chairman of SAGA, C Rothwell, served writs on both APEX and the TUC to restrain them from carrying out the dissolution.

UNION MERGERS

SGA and SOGAT
Scottish Graphical Association members have accepted their national executive's recommendation and voted in favour of an amalgamation with the Society of Graphical and Allied Trades. Voting was 2,602 in favour, 2,195 against. SOGAT members will now be balloted on the proposed merger.

UST and ASTMS
The Union of Speech Therapists has voted by a large majority in favour of a merger with ASTMS.

ACTT and ABS
Members of the Association of Cinematograph, Television and Allied Technicians and the Association of Broadcasting Staffs have voted for amalgamation. In the ACTT voting was 5,510 in favour and 2,086 against; and in the ABS 5,032 in favour, 2,987 against. Over 50 per cent of the combined mmebership cast votes in the ballot. The new union will be known as the Amalgamated Film and Broadcasting Union.

ACTION AGAINST UNEMPLOYMENT

De La Rue Company
Workers at the De La Rue company's Crosfield factory in North London voted on 26 March for an occupation in protest at threatened closure of the plant. De La Rue had announced that it would be transferring the work done at the Crosfield fitting and wiring building to Peterborough.

Scottish Daily News
The workers co-operative founded by ex-Beaverbrook employees in Glasgow reached its target of £475,000 in public contributions on 28 March. This enabled the government to release its promised loan of £1.2 million and provide the co-operative with the capital necessary to launch its new paper, the *Scottish Daily News*, towards the beginning of May.

DISPUTES

London docks
At a mass meeting on 4 April London dockers rejected a shop stewards' recommendation to continue industrial action aimed at securing an immediate transfer of jobs in container bases to registered dock workers.

Troops in Glasgow
On 19 March, troops in Glasgow began clearing the streets of rubbish which had accumulated during a strike of the city's 'cleansing' vehicle drivers over a pay claim. The following day over 100 labourers at Glasgow's three rubbish incinerators walked off the job in solidarity with the strikers.

Army repairs
Industrial action by workers who repair army armoured vehicles caused disruption at Government Central Workshops near Nottingham. Stoppages have taken place in protest at refusal to grant an interim wage award pending the annual review, which is not due until July.

Fishing
The Action Committee co-ordinating industrial action by inshore fishermen called for a return to work on 3 April after receiving assurances from H Brown, Under Secretary for Scotland, about the future of the industry. A blockade by the fishermen, in protest at cheap frozen fish imports from non-EEC countries, had affected more than 40 ports and involved 1,400 vessels.

Railway workshop supervisors
Following a breakdown in talks on differentials on the Railway Workshop Supervisory Staff National Council, limited industrial action by supervisory staff, including a work to rule, was effective from 24 March.

Print workers
A dispute over manning levels halted publication in London of the *Daily Mirror*, *Sunday Mirror*, *Sporting Life* and *Sunday People*. Members of the Society of Graphical and Allied Trades took industrial action following IPC's attempt to link pay talks to a condition that staff who leave should not be automatically replaced.

CLAIMS

Rolls Royce (1971)
Manual workers employed by Rolls Royce (1971) in Scotland are claiming across the board increases of £12 in their annual pay claim. If granted, this would mean new weekly rates of £53.55 for unskilled workers, £60.57 for semi-skilled workers, and £66.41 for skilled workers.

Chemical workers
A claim was submitted to the Chemical and Allied Industries Association (CIA) on 25 March for basic increases for 65,000 heavy chemical and plastics industry manual workers. The claim is for a £10.52 a week increase that would take the basic rate from £24.48, to £35.00 per week. In addition, the claim calls for a "substantial" increase in the shift rate and a reduction in the working week from the present 40 hours.

Hotel and restaurant staff
The General and Municipal Workers Union has submitted a claim to the Licensed Residential Establishments and Licensed Restaurants Wages Council for increases in the basic rates of pay of hotel and restaurant staff. The claim aims to lift all grades to the TUC target minimum of £30 and would give rises of £12.07 for general porters and £16.38 per week for waitresses. Also included in the claim, are requirements for London weighting, longer holiday entitlement, and implementation of equal pay in advance of the 29 December Equal Pay Act deadline.

INCREASES

NHS craftsmen
NHS electricians, plumbers, engineering craftsmen and semi-skilled engineers will receive wage increases, backdated to 1 January, under the 1975 pay settlement. Top rates will now be £53.42 per week, an increase of £9.99 on the 1974 figure. The new weekly rates in the bottom two grades will be £38.81 and £36.24, representing increases of £7.26 and £6.78 per week. Overtime rates are increased from plain time and a third to plain time and a half.

Post Office workers
Members of the UPW have voted overwhelmingly to accept a pay settlement, which gives new basic rates for postmen of £38.51 per week. This represents an increase of £3.10 in "new money", plus consolidated threshold payments of £4.40. Telephonists will receive "new money" increases of £2.95 per week, which with the consolidated threshold payments will take weekly rates from £29.41 to £36.76. The agreement is backdated to 1 January. A new cost of living agreement is included which will give automatic pay rises when the Retail Price Index reaches a threshold 'trigger' of 11 per cent above the January 1975 figure. Workers will receive 1 per cent on basic rates for every 1 per cent increase in the index after this.

Nurses
Under an agreement reached by the Nurses and Midwives Whitley Council, starting rates for all nursing grades will be increased from 1 April. The increases, all of which include a consolidated threshold payment of £229 per annum, are £435 for student nurses, £405 for auxiliaries, and £429 for staff nurses. The new starting rates in these grades will be, respectively, £1,560, £1,605, and £2,121 per annum.

National Graphical Association
NGA members employed by IPC newspapers have voted in favour of a new wages offer. The offer, which covers IPC newspapers in London, Manchester, Belfast and Dublin, gives a two-part increase on earnings: 10 per cent backdated to October 1974 and another 7½ per cent from 1 April 1975. The increases include threshold payments of £2.80. Automatic replacement of employees who leave will be phased out, with replacement becoming a matter for "consultation and agreement" between IPC and the NGA.

BLMC Cowley
Production workers at BLMC's Cowley car assembly plant voted on 21 March to accept a revised company pay offer. The offer creates a new main production and top skilled rate of £57.20 for a 40 hour week, an increase of £6 a week. Production workers at the Cowley body plant, who had accepted an earlier offer worth 40p a week less, will receive the latest increases.

British Airways
The Civil and Public Services Association (CPSA) has accepted pay increases for 4,000 industrial and non-industrial staff employed by the British Airports Authority. The agreement gives "new money" increases of £3.60 plus consolidated thresholds of £4.40 a week, or a 16 per cent increase—whichever is the greater. At clerical assistant level this will mean a salary of £1,389 at age 17, with twelve age-related increments rising to £2,055; and for clerical officers £1,440 rising through 14 increments to £2,469.

DIARIES

Home

March

3 Barclays bank cuts base rate from 11½ to 10¾ per cent. Other clearing banks cut base rate from 11½ to 11 per cent two days later.

7 Government announces plan to protect policy holders of failing insurance companies.

9 Gordon McLennan succeeds John Gollan as General Secretary of the Communist Party.

11 Government announces direct grant schools to be phased out by September 1976. British Rail announces proposed 12½ per cent increases in fares in the early summer.

17 T Benn proposes to increase number of shipbuilding firms to be nationalised, compensation to be based on share value.

18 Cabinet votes 16-7 to recommend acceptance of renegotiated terms of membership of the Common Market. Ministers opposing membership were Benn, Castle, Foot, Ross, Shore, Silkin and Varley. Department of Education and Science announces up to £70 per annum increases in university and college fees.

19 National Westminster bank cuts base rate to 10½ per cent.

20 Community Land Bill published, giving local authorities the statutory duty to acquire land needed for development. Government announces that one fifth of teacher training colleges will be closed over next few years. Commons Select Committee advises no immediate action against John Stonehouse. Home Secretary, Roy Jenkins, becomes president of Britain in Europe, pro EEC organisation.

21 Bank of England cuts minimum lending rate from 10¼ to 10 per cent. Labour Party head office refuse to handle speech of Mr Mikado referring to the "motley army" of EEC supporters led by Mr Wilson.

24 House of Lords amends Trade Union and Labour Relations (Amendment) Bill to maintain powers of newspaper editors. House of Commons gives a second reading to Housing Finance (Special Provisions) Bill, removing disqualification of Clay Cross councillors who defied the Tory Housing Finance Act. Barclays bank cuts base rate from 10¾ to 10½ per cent.

25 H Wilson announces that elections for new Ulster Convention will be held on 1 May.

26 Labour party National Executive Committee votes to recommend opposition to British membership of the EEC. Referendum Bill, regulating EEC referendum, published.

27 Government publishes White Paper recommending acceptance of renegotiated terms of British membership of the Common Market.

31 Alexander Shelepin, leading Soviet trade union official, arrives on visit to Britain as a guest of the TUC.

International

March

4 Rhodesia–ANC refuses to continue talks with Smith regime after Rev Sithole, leader of ZANU, is arrested. West Berlin–Herr Lorenz, opposition leader, is released by kidnappers after the freeing of five members of the Baader-Meinhof group. Ethiopia–government nationalises all agricultural land.

5 Cambodia–American airlift to isolated capital Phnom Penh suspended as Khmer Rouge liberation forces shell airport. Israel–seven Palestinians and 11 Israelis killed in gun-battle following a guerilla attack on a Tel Aviv hotel. Kuwaiti government takes over remaining BP and Gulf Oil shares held in Kuwait Oil Company. Iran and Iraq sign agreement on border dispute, and Iran agrees to end support for Kurdish nationalists in Iraq.

10 Bram Fischer, dying of cancer, released from detention for one month by South African government after international campaign. Vietnam–liberation forces take crucial town of Ban Me Thuot in Central Highlands region.

11 Dublin–two day EEC summit meeting, discussing Britain's renegotiations ends with leaders in agreement. Portugal–attempted right-wing coup is defeated by Armed Forces Movement. General Spinola, former President, flees to Spain and then Brazil.

12 US–Congress rejects President Ford's request for additional military aid for Cambodia and South Vietnam.

14 Portuguese government nationalises the banks.

18 Vietnam–President Thieu announces surrender of Central Highlands to the Provisional Revolutionary Government.

19 Portuguese elections postponed to 25 April, three parties banned.

21 Australia–British MP John Stonehouse is charged on 15 counts, including forgery and theft.

23 Middle East–attempt of Kissinger to negotiate further settlement between Israel and Egypt fails.

25 King Faisal, despotic ruler of Saudi Arabia, assassinated.

26 Vietnam–ancient capital, Hue, occupied by liberation forces.

27 US–Congress votes to cut taxation by $24,800 million.

30 Vietnam–Da Nang, second city of South Vietnam, abandoned by Saigon regime, and taken by the liberation forces.

LABOUR RESEARCH
is published monthly price 20p (25½p post free) for single copies
Annual Subscription £3.06
from LRD, 78 Blackfriars Road
London SE1 8HF (01-928 3649)

Statistics

	1974 Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	1975 Jan	Feb	Mar
Retail price index *January 74 = 100*	100·0	101·7	102·6	106·1	107·6	108·7	109·7	109·8	111·0	113·2	115·2	116·9	119·9	121·9	124·3
% change on year ago	+12·0	+13·2	+13·5	+15·2	+16·0	+16·5	+17·1	+16·9	+17·1	+17·1	+18·3	+19·1	+19·9	+19·9	+21·2
Basic hourly wages rate *July 72 = 100*	123·7	124·7	126·4	127·6	131·9	136·8	139·7	145·4	146·3	148·7	153·9	157·9	159·9	161·5	167·7
% change on year ago	+14·1	+14·5	+15·4	+13·6	+16·4	+18·2	+20·4	+21·5	+21·9	+23·3	+26·9	+29·2	+28·5	+29·0	+32·6
Average earnings *January 70 = 100* (a)	154·1*	156·8*	164·3	164·7	169·6	176·2	181·8	185·5	189·2	191·8	200·9	208·9	206·0	210·0	
% change on year ago	+7·7*	+8·6*	+14·2	+12·3	+13·5	+16·0	+18·1	+20·5	+21·0	+21·3	+25·3	+29·4	+33·7*	+33·9*	
Unemployment *000s* (b)	636	629	618	680	562	543	601	692	683	643	653	na	777	791	803
% male unemployment rate in GB	3·7	3·6	3·6	3·8	3·3	3·2	3·4	3·8	3·8	3·6	3·7	na	4·4	4·5	4·5

(a) This covers male and female workers, manual and non-manual, weekly and monthly paid, and includes overtime payments, etc. It is seasonally adjusted.

(b) Including N Ireland. Temporarily stopped are not included in the above figures. Temporarily stopped for January 1974 totalled 920,000, for February 748,000, and for March 103,000.

* Affected by 3 day week.

Source: Department of Employment.

Shipbuilding

In the period 1970-71 to 1974-75 the government has lent £53.8m to shipbuilding companies including £7.6m to Cammell Laird Shipbuilders, £14.8m to Govan Shipbuilders, £11m to Harland and Wolff, £3.8m to Scott Lithgow Group, £6m to Sunderland Shipbuilders and £4.5m to Yarrow. In addition the government has given a total of £40.8m to shipbuilding companies including £3.2m to Govan Shipbuilders, £25.9m to Harland and Wolff, £1.4m to the Scott Lithgow Group, £1.7m to the Swan Hunter Group and £7.7m to Upper Clyde Shipbuilders. The government also paid £15.5m for shareholdings in shipbuilding companies during this period (£1.5m Cammell Laird Shipbuilders, £10m Govan Shipbuilders and £4m Harland and Wolff). Also in 1974 the government agreed to buy Court Line's shipbuilding, ship repairing and associated interests for an agreed sum of about £16m, of which £12.8m has so far been paid.

Employment

The total number of employees in Great Britain in March 1974 was 22,734,000, according to figures in the March 1975 DE *Gazette*. Of the total number of employees 590,000 were unemployed, so that there were 22,144,000 people in employment in March 1974. In addition there were 1,916,000 employers and self employed people, plus a further 349,000 people in the armed forces. Thus the total working population (employed, self employed, armed forces and the unemployed) was 24,999,000. The main industries that employed people in 1973 were construction 1,338,000, transport and communications (including railways, road haulage, postal services etc) 1,501,000, distributive trades (wholesale and retail) 2,691,000, mechanical engineering 956,000, electrical engineering 795,000, and vehicles 789,000. National and local government employed 1,544,000 people in administration, 1,043,000 people were employed in insurance and banking; 3,171,000 were employed in professional and scientific services (mainly education and medicine) and 2,114,000 were employed in miscellaneous services (cinemas, hotels, catering, laundries, garages etc).

Industrial production

In January 1975 the index of industrial production (1970=100) rose to 105.9. This is 5.9 per cent above the level of January 1974 (when production was reduced by the three day week). However, industrial production is now considerably below the level that existed in 1973 before the three day week. For instance in the third quarter of 1974 industrial production was 108.6; 1.9 per cent below the level of the third quarter of 1973. In the fourth quarter of 1974 industrial production fell a further 3 per cent to 105.4; 3.7 per cent below the level of the fourth quarter of 1974. The January 1975 figure for industrial production is 1.9 per cent below the level two years ago (January 1973).

Published by LRD Publications Ltd., 78 Blackfriars Road, London, SE1 8HF and printed by Watford Printers Ltd (TU), Vicarage Road, Watford
Registered for transmission by Magazine Post to Canada, including Newfoundland